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RECEIVED

2005 MAY 12 PM 3:51

WALLER LANSDEN DORTCH & DAVIS LLP
AFFILIATED WITH THE PROFESSIONAL LIMITED LIABILITY COMPANY
520 SOUTH GRAND AVENUE SUITE 800
LOS ANGELES, CALIFORNIA 90071
(213) 362-3680

T.R.A. DOCKET ROOM

D. Billye Sanders
(615) 850-8951
billye.sanders@wallerlaw.com

May 12, 2005

VIA HAND DELIVERY

Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

05-00144

Re: In the Matter of the Petition of Kentucky Utilities
Company for an Order Authorizing the Issuance of Securities
and the Assumption of Obligations

Dear Chairman Miller,

Enclosed you will find the original and thirteen copies of the above referenced
Petition of Kentucky Utilities Company and a check for \$25.00 for the filing fee.

Kentucky Utilities is asking for expedited treatment of this matter because it
has a limited window of opportunity to obtain tax exempt financing, which will
reduce its cost. As explained in the Petition, the bond issue which provides this
financing opportunity must close no later than July 14, 2005 to qualify for the tax
exempt funding. The company's bond counsel has indicated that it needs orders
from the state commissions having jurisdiction over the company no later than June
20, 2005 in order to complete all of the legal requirements to close the bond issue
before July 14, 2005. Therefore, Kentucky Utilities respectfully requests that the
TRA issue its written order no later than June 20, 2005.

Please contact me if you have any question or need any additional
information.

May 12, 2005

Page 2

Sincerely,

A handwritten signature in cursive script that reads "D. Billye Sanders". The signature is written in dark ink and is positioned above the printed name.

D. Billye Sanders
Attorney for Kentucky Utilities
Company

cc. Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq
Elizabeth L. Cocanougher, Esq.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

| | | |
|----------------------------------|---|---------------------|
| IN THE MATTER OF THE PETITION OF |) | |
| KENTUCKY UTILITIES COMPANY |) | |
| FOR AN ORDER AUTHORIZING THE |) | Docket No. 05-_____ |
| ISSUANCE OF SECURITIES AND THE |) | |
| ASSUMPTION OF OBLIGATIONS |) | |

PETITION

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to T.C.A. § 65-4-109, that the Tennessee Regulatory Authority ("TRA" or "Authority") authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein. In support of this Petition, KU states as follows:

Description of the Company

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and a Virginia corporation, a public utility as defined by T.C.A. § 65-4-101, and provides retail electric service to five customers in Tennessee. The Company also provides retail electric services to approximately 518,000 customers in seventy-seven counties in Kentucky and five counties in southwest Virginia. A description of KU's properties is set out in Exhibit 1 to this Petition. The Company

is a wholly-owned subsidiary of LG&E Energy LLC ("LG&E Energy"). LG&E Energy is an indirect subsidiary of E.ON AG.

Correspondence Pertaining to the Petition

2. Correspondence or communications pertaining to this Petition should be directed to:

D. Billye Sanders
Waller Lansden Dortch & Davis, PLLC
511 Union Street, Suite 2700
Nashville, TN 37219-8966
Telephone: (615) 850-8951
Facsimile: (615) 244-6804
E-mail: bsanders@wallerlaw.com

Kendrick R. Riggs
John Wade Hendricks
Ogden Newell & Welch PLLC
1700 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202
Telephone: (502) 582-1601

Elizabeth L. Cocanougher
Senior Corporate Attorney
LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

Description Of The Transaction

3. This Petition relates to the proposed permanent financing for portions of pollution control facilities at the Company's Ghent Generating Station in Carroll County, Kentucky. These facilities are described in Exhibit 2 hereto.

Attached to this Petition as Exhibit 3, is a copy of a letter from the Kentucky Private Activity Board Allocation Committee, dated April 15, 2005, notifying KU that it had received an allocation of \$13,266,950 of the state ceiling for private activity bonds. This will allow a portion of the cost of KU's pollution control project to be financed on a tax-exempt basis, resulting in lower costs. A comparison of taxable versus tax-exempt financing, as of the date of this Petition, is attached as Exhibit 4.

4. The Company requests authority to (i) assume certain obligations under various agreements in an aggregate principal amount not to exceed \$13,266,950 in connection with the proposed issuance of one or more series of Carroll County Environmental Facilities Revenue Bonds, to be appropriately designated (the "Pollution Control Bonds"), and (ii) issue one or more series of the Company's First Mortgage Bonds to collateralize the proposed Pollution Control Bonds. The proceeds of the Pollution Control Bonds would be loaned to KU by Carroll County to provide permanent financing for a portion of the pollution control facilities described herein.

In connection with the Pollution Control Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County, Kentucky, and may enter into one or more guaranty agreements, bond insurance agreements and other similar undertakings guaranteeing repayment of all or any part of the obligations under one or more series of Pollution Control Bonds for the benefit of the holders of such bonds.

5. Carroll County has the power, pursuant to the provisions of the Industrial Building Revenue Code Act, Sections 103.200 to 103.285, inclusive of the Kentucky Revised Statutes, to enter into the transactions contemplated by the Loan Agreement and to carry out its obligations thereunder by issuing and selling negotiable bonds and lending the proceeds from the sale of such Bonds to KU to finance the acquisition, construction and installation of certain pollution control facilities, being within the corporate limits of Carroll County.

6. Depending upon KU's credit rating and market factors at the time of issuance, the financing may involve KU's First Mortgage Bonds (as hereinafter defined) issued to collateralize and secure the Pollution Control Bonds. If KU's First Mortgage Bonds are used, the structure and documentation for the issuance of KU's First Mortgage Bonds and related agreements would be similar to the structure and documentation of other recent pollution control financings of KU approved by the Authority involving KU's First Mortgage Bonds. KU's First Mortgage Bonds would be issued in like amount to the Pollution Control Bonds and would be used to secure its payment obligations under the Pollution Control Bonds. KU therefore requests authority to issue one or more series of its First Mortgage Bonds, Pollution Control Series (collectively, the "First Mortgage Bonds") in an aggregate principal amount not to exceed \$13,266,950. The First Mortgage Bonds would be delivered to one or more corporate trustees under one or more indentures of trust between Carroll County and such trustee (each a "Trustee") in connection with the issuance and sale by Carroll County of its Pollution Control Bonds. The First Mortgage Bonds would

be held by the Trustees to secure the payment of the Pollution Control Bonds and payment by KU of all sums payable by KU as discussed below. The First Mortgage Bonds would be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Indenture of Mortgage and Deed of Trust dated May 1, 1947, between KU and Continental Bank, N.A., and M.J. Kruger or their successors as trustees, as heretofore amended and supplemented. The First Mortgage Bonds would have a maturity date corresponding to the Pollution Control Bonds, not to exceed 30 years from date of issuance.

6. The Pollution Control Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between Carroll County and the Trustee. The proceeds from the sale of the Pollution Control Bonds would be loaned to KU pursuant to one or more loan agreements between Carroll County and KU (collectively, the "Loan Agreement").

The payments to be made by KU under the Loan Agreement for one or more series of Pollution Control Bonds, together with other funds available for the purpose, would be required to be sufficient to pay the principal and interest on such Pollution Control Bonds. The Loan Agreement and the payments to be made by KU pursuant thereto will be assigned to secure the payment of the principal and interest on the related Pollution Control Bonds. Upon issuance of a series of Pollution Control Bonds, KU may issue one or more guarantees (collectively, the "Guarantees"), in favor of the Trustees guaranteeing repayment of all or any part of

the obligations under such Pollution Control Bonds for the benefit of the holders of such Bonds.

8. The Pollution Control Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Pollution Control Bonds (including, in the event all or a portion of the Pollution Control Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between KU, Carroll County, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed two percent (2%) of the principal amount of the Pollution Control Bonds of each series to be sold. Based upon past experience with similar financings, KU estimates that bond insurance and issuance costs, excluding underwriting fees, will be approximately \$600,000.

9. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Pollution Control Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by KU, including issuance of auction mode Pollution Control Bonds, which may be coupled with bond insurance. KU would reserve the option to convert any variable rate Pollution Control Bonds at a later date to other interest rate modes, including a fixed rate of interest. Pollution Control Bonds that bear interest at a variable rate (the "Variable Rate Pollution Control Bonds") also

may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Pollution Control Bonds, KU may enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Pollution Control Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Pollution Control Bonds, which will be 100% of the par amount of such Variable Rate Pollution Control Bonds. Thus, to the extent Variable Rate Pollution Control Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate.

10. Also, in the event that Variable Rate Pollution Control Bonds are issued, KU may enter into one or more liquidity facilities (the "Current Facility") with a bank or banks to be selected by KU (the "Bank"). The Current Facility would be a credit agreement designed to provide KU with immediately available funds with which to make payments with respect to any Variable Rate Pollution Control Bonds that have been tendered for purchase and are not remarketed. The Current Facility may, but is not expected to be pledged for the payment of the Variable Rate Pollution Control Bonds or to constitute security therefor. The Current Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Current Facility, KU may be required to execute and deliver to the Bank a note (the "Current Facility Note") evidencing KU's obligation to the Bank under the Current Facility.

In order to obtain terms and conditions more favorable to KU than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Pollution Control Bonds, KU may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, is hereinafter referred to as a "Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Pollution Control Bonds. It is contemplated that, in the event the Variable Rate Pollution Control Bonds are converted to bear interest at a fixed rate to maturity, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated in whole or in part following the date of conversion of such series of Variable Rate Pollution Control Bonds. The estimated cost of the financing shown in Section 8 does not include expenses incurred for entering into any Facility, however the impact on the overall cost of the financing would be approximately 25 basis points.

11. In connection with any Facility, KU may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such Facility, which would contain the terms of reimbursement or payment to be made by KU to the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing KU's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Pollution Control Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Pollution Control Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Pollution Control Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

12. In connection with the issuance of the Pollution Control Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and limit its

exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Pollution Control Bonds. The Hedging Facility will set forth the specific terms for which KU will agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the financing does not include the costs of any Hedging Facility which would be determined at the time of the hedge. However, based on current market conditions, the cost of a 3-year hedge would be approximately 100 basis points.

The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counterparty, and would be the most favorable terms that can be negotiated by KU. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan Agreements, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Pollution Control Bonds (which will not exceed an aggregate principal amount of \$13,266,950) plus accrued but unpaid interest and premium, if any, on such bonds.

13. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

14. Exhibit 5 to this Petition contains copies of the Carroll County Fiscal Court Resolutions authorizing issuance of the Pollution Control Bonds, as well as a copy of the Memorandum of Agreement between Carroll County and KU.

15. KU shall, as soon as reasonably practicable after the issuance of the Pollution Control Bonds referred to herein, file with the Authority a statement setting forth the date or dates of issuance of the securities, the price paid therefor, the interest rate(s) (and if applicable their method of determination), and all fees and expenses including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

16. Exhibit 6 to this Petition contains a Financial Exhibit in support of this Petition.

17. Exhibit 7 to this Petition is a certified copy of KU's Board of Directors' resolution authorizing the Company's Ghent pollution control project.

18. Other information regarding this Petition including the amount and kind of Notes and the use to be made of the proceeds has been supplied in the extensive discussion above in sections 3 through 12 of this Petition.

19. In order to take advantage of currently low interest rates, along with the opportunity to finance portions of its pollution control project with tax-exempt debt, the Company plans for the securities to be issued as quickly as possible. In addition, the Pollution Control Bonds must be issued within 90 days of the date that the Kentucky Private Activity Bond Allocation Committee made its allocation to KU, in other words prior to July 14, 2005. After the Authority has issued its Order

in this case, various actions such as newspaper publication, final action by the Carroll County Fiscal Court, as well as arrangements with underwriters and marketing activities must take place before the Pollution Control Bonds can be issued. Therefore, the Company respectfully requests that the Authority process this Petition as expeditiously as possible both to afford the Company maximum flexibility in connection with this financing and to ensure that this opportunity is not lost and further requests that the Authority issue its Order by June 20, 2005. In order to facilitate KU's request for an expedited Order, a proposed Order is attached as Exhibit 8.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Authority enter its Order, in the form of the proposed Order attached as Exhibit 8 authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreement and any Remarketing Agreements, and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes set forth in this Petition. Kentucky Utilities Company further requests that the Order of the Authority specifically include provisions stating:

1. KU is authorized to issue and deliver its First Mortgage Bonds in an aggregate principal amount not to exceed \$13,266,950 in the manner set forth in its Petition.
2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the Loan Agreement with Carroll County, Kentucky, and under any remarketing agreements, hedging agreements, auction agreements, bond

insurance agreements, guaranty agreements, credit agreements and facilities and such other agreements and documents as set out in its Petition and to perform the transactions contemplated by such agreements.

Respectfully submitted,

Kentucky Utilities Company

By: *D. Billye Sanders*
D. Billye Sanders
Waller Lansden Dortch & Davis, PLLC
Nashville City Center
511 Union Street, Suite 2700
Nashville, TN 37219
(615) 850-8951

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Elizabeth L. Cocanougher
Senior Corporate Attorney
LG&E Energy LLC
220 West Main Street
Louisville, KY 40202

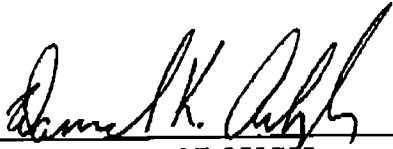
Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY }

COUNTY OF JEFFERSON }

I, Daniel K. Arbough, being first duly sworn, depose and say that I am Treasurer for Kentucky Utilities Company, that I have read the foregoing Petition and that the contents thereof are true and accurate to the best of my knowledge, information and belief.


DANIEL K. ARBOUGH

Subscribed and sworn before me this 12th day of May, 2005.

My Commission Expires: August 31, 2007


Notary Public

KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY
AND THE COST THEREOF TO APPLICANT

March 31, 2005

The applicant owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 2,934,000 Kw; a hydroelectric generating station having an estimated total effective capability of about 24,000 Kw; and seventeen gas/oil peaking units having an estimated total effective capability of about 1,499,000 Kw.

The applicant's owned electric transmission system includes 108 substations with a total capacity of approximately 16,978,000 Kva and approximately 4,239 structure miles of lines. The electric distribution system includes 491 substations with a total capacity of approximately 6,220,400 Kva, and 15,182 structure miles of lines.

Other properties include office buildings, service centers, warehouses, garages, and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at March 31, 2005, was:

| | Utility Plant |
|-------------------------------|------------------|
| Original Cost | |
| Intangible Plant | \$ 21,695,593 |
| Production Plant | 1,992,484,724 |
| Transmission Plant | 489,776,803 |
| Distribution Plant | 970,140,900 |
| General Plant | 80,947,952 |
| Transportation Plant | 23,738,711 |
| Construction Work in Progress | 151,863,807 |
| Total Plant at Original Cost | \$ 3,730,648,490 |
| Less Reserve for Depreciation | 1,709,675,386 |
| Net Original Cost | \$ 2,020,973,104 |

KENTUCKY UTILITIES COMPANY

GHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing, recycling or final disposal of solid wastes. The Project facilities are located or will be located at one or both of the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to:

1. Facilities for the processing and recycling of waste calcium sulfite byproducts from flue gas desulfurization into calcium sulfate for use as gypsum. The Project facilities include complete new flue gas desulphurization facilities to serve generating stations 2, 3 and 4, including, among other things, the necessary SO₂ absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system improvements, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures.
2. Solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, landfill expansion and other industrial solid waste collection, processing and disposal facilities.
3. Project facilities which are functionally related and subordinate to proposed new and existing solid waste and sewage facilities.
4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste or related sewage, which because of changes in technology, cost, solid waste and sewage plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.



**Office of Financial Management
Finance and Administration Cabinet**

702 Capitol Avenue, Suite 261
Frankfort, Kentucky 40601-3453
(502) 564-2924
Fax: (502) 564-7416

Ernie Fletcher
Governor

Robbie Rudolph
Secretary

F. Thomas Howard
Acting Executive Director

April 15, 2005

Mr. Spencer E. Harper, Jr.
Division of Ogden Newell & Welch PLLC
(Harper, Ferguson & Davis)
1700 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202-2874

Re: Private Activity Bond Allocation Committee – 2005 Local Issuer Pool Applicants

Dear Mr. Harper:

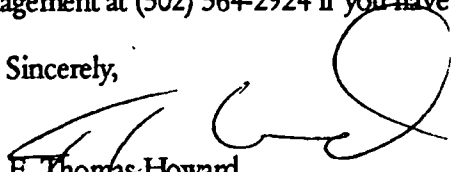
Per the attached confirmation, the Kentucky Private Activity Bond Allocation Committee ("KPABAC") has allocated a portion of the state ceiling to the identified company/issuer from the 2005 Local Issuer Pool. Pursuant to 200 KAR 15:010, the bond issue must close within 90 days (July 14, 2005) to qualify under the CY2005 cap. A Notice of Issuance must be filed with KPABAC following placement of the bonds.

Kentucky Utilities Company
C/O Louisville Gas and Electric Company

\$13,266,950

Please contact the Office of Financial Management at (502) 564-2924 if you have any questions.

Sincerely,


F. Thomas Howard
Acting Executive Director

Attachments



CONFIRMATION NO.: 4
DATE: April 15, 2005

KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
702 Capitol Avenue, Suite 261
Frankfort, KY 40601
(502) 564-2924

Issuer Name: County of Carroll, Kentucky
Borrower/User: Kentucky Utilities Company
C/O Louisville Gas and Electric Company
Bond Counsel: Spencer E. Harper, Jr.
Address: 500 West Jefferson Street, 1700 PNC Plaza
City: Louisville, KY 40202
Confirmation Type:

☒ **Original**
☐ **Renewal**
☐ **Supplemental**

Confirmation is hereby given that \$13,266,950 of the state ceiling for private activity bonds for the Commonwealth of Kentucky for CY2005 has been allocated to the bond issue described by the above referenced Notice of Intent Number. This Confirmation is numbered and dated and is effective only in accordance with the terms of state and federal law. This allocation has been made from the:

☒ **Local Issuer Pool**
☐ **Single Issuer Pool**
☐ **State Issuer Pool**

This allocation of the state ceiling shall expire on: July 14, 2005 pursuant to the provisions of 200 KAR 15:010. The undersigned officer executing and responsible for this confirmation and allocation hereby swears and certifies under penalty of perjury that the allocation was not made in consideration of any bribe, gift, gratuity or direct or indirect contribution of any political campaign.



Kentucky Private Activity Bond Allocation Committee

KENTUCKY UTILITIES

PRESENT VALUE ANALYSIS

TAXABLE FIXED RATE LOAN FROM FIDELIA

| Taxes | Total Cash Outlay | Interest @ 5.565% | Debt Expense Amortization (L) | Taxes (2) | Total Cash Outlay | SAVINGS (Cash or Periodic) | Present Value SAVINGS | Present Value |
|-----------|-------------------|-------------------|-------------------------------|-----------|-------------------|----------------------------|-----------------------|---------------|
| (106 597) | \$602,279 | 368 821 | | (148 865) | 219,956 | \$602,279 | \$602,279 | |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 98,935 | (71,301) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 98,774 | (70,130) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 99,515 | (68,978) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 99,359 | (67 846) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 99,206 | (66 732) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 99,054 | (65 636) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 89,006 | (64 558) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 87,559 | (63 498) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 86,166 | (62 456) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 84,774 | (61 430) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 83,335 | (60 421) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 81,988 | (59 429) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 80,654 | (58 453) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 79,331 | (57 494) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 78,001 | (56 550) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 76,773 | (55 621) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 75,478 | (54 708) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 74,223 | (53 809) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 73,001 | (52 926) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 71,781 | (52 057) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 70,653 | (51 202) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 69,647 | (50 361) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 68,633 | (49 534) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 67,621 | (48 721) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 66,611 | (47 921) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 65,602 | (47 134) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 63,995 | (46 360) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 62,990 | (45 599) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 61,887 | (44 850) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 60,885 | (44 114) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 59,885 | (43 389) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 58,887 | (42 677) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 57,931 | (41 976) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 56,955 | (41 287) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 56,002 | (40 609) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 55,110 | (39 942) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 54,219 | (39 286) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 53,330 | (38 641) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 52,543 | (38 007) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 51,577 | (37 383) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 50,572 | (36 769) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 49,989 | (36 165) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 49,007 | (35 571) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 48,266 | (34 987) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 47,477 | (34 413) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 46,669 | (33 848) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 45,933 | (33,292) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 45,177 | (32 745) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 44,443 | (32 208) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 43,700 | (31 679) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 42,998 | (31 159) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 42,228 | (30 647) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 41,518 | (30 144) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 40,900 | (29 649) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 40,223 | (29 162) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 39,567 | (28 683) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 38,928 | (28 212) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 38,292 | (27 749) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 37,655 | (27 293) |
| (106 597) | 147 465 | 368 821 | | (148 865) | 219,956 | (72,491) | 37,003 | (26 845) |
| | | | | | | (53,147,184) | | |
| | | | | | | \$13,197,345 | | |
| | | | | | | 6,184,781 | | |
| | | | | | | \$8,931,928 | | |
| | | | | | | \$2,129,272 | | |
| | | | | | | \$3,450,181 | | |
| | | | | | | 6,079,757 | | |
| | | | | | | \$6,395,944 | | |
| | | | | | | \$9,272 | | |

TAX EXEMPT POLLUTION CONTROL BONDS

| Date | Principal Outstanding | Interest @ 3.500% | Debt Expense Amortization(1) | Issue Expenses | Taxes | Total Cash Outlay |
|-----------|-----------------------|-------------------|------------------------------|----------------|-------------|-------------------|
| 01-Jan-05 | \$13,266,950 | 254,062 | 10,038 | | (106,597) | \$147,465 |
| 01-Jan-06 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 147,465 |
| 01-Jan-07 | 13,266,950 | 254,062 | 10,038 | \$602,279 | (106,597) | 368,821 |
| 01-Jan-08 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-09 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-10 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-11 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-12 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-13 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-14 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-15 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-16 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-17 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-18 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-19 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-20 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-21 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-22 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-23 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-24 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-25 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-26 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-27 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-28 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-29 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-30 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-31 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-32 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-33 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-34 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| 01-Jan-35 | 13,266,950 | 254,062 | 10,038 | | (106,597) | 368,821 |
| TOTAL | | \$15,243,726 | \$602,279 | \$602,279 | \$6,395,844 | \$8,450,181 |
| NPV | | | | | | 6,079,757 |

TAXABLE FIXED RATE LOAN FROM FIDELIA

| Date | Principal Outstanding | Interest @ 3.500% | Debt Expense Amortization(1) | Taxes(2) | Total Cash Outlay | Periodic (Cost) or SAVINGS from Refunding | Present Value Factor | Present Value |
|-----------|-----------------------|-------------------|------------------------------|--------------|-------------------|---|----------------------|---------------|
| 01-Jan-05 | \$13,266,950 | 254,062 | 10,038 | | \$0 | \$602,279 | 1.0000 | \$602,279 |
| 01-Jan-06 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.9850 | (71,301) |
| 01-Jan-07 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.9696 | (69,926) |
| 01-Jan-08 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.9544 | (67,846) |
| 01-Jan-09 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.9396 | (65,742) |
| 01-Jan-10 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.9254 | (63,558) |
| 01-Jan-11 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.9116 | (61,298) |
| 01-Jan-12 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8984 | (59,023) |
| 01-Jan-13 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8856 | (56,693) |
| 01-Jan-14 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8732 | (54,308) |
| 01-Jan-15 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8611 | (51,867) |
| 01-Jan-16 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8493 | (49,370) |
| 01-Jan-17 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8378 | (46,821) |
| 01-Jan-18 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8266 | (44,220) |
| 01-Jan-19 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8156 | (41,567) |
| 01-Jan-20 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.8049 | (38,862) |
| 01-Jan-21 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7944 | (36,107) |
| 01-Jan-22 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7841 | (33,302) |
| 01-Jan-23 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7740 | (30,448) |
| 01-Jan-24 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7641 | (27,545) |
| 01-Jan-25 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7544 | (24,593) |
| 01-Jan-26 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7449 | (21,592) |
| 01-Jan-27 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7356 | (18,543) |
| 01-Jan-28 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7265 | (15,447) |
| 01-Jan-29 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7176 | (12,304) |
| 01-Jan-30 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7089 | (9,114) |
| 01-Jan-31 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.7004 | (5,878) |
| 01-Jan-32 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.6921 | (2,596) |
| 01-Jan-33 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.6840 | (927) |
| 01-Jan-34 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.6761 | (271) |
| 01-Jan-35 | 13,266,950 | 254,062 | 10,038 | | \$0 | (72,491) | 0.6684 | (65) |
| TOTAL | | \$22,129,272 | \$0 | \$68,931,928 | \$13,197,345 | \$63,747,184 | | \$2,131,968 |
| NPV | | | | | 8,104,761 | | | |

PRESENT VALUE ANALYSIS

(1) Debt Amortization Expense includes issuing costs of new series
(2) Tax calculation based on interest expense and the amortization of new issue debt expense

Assumptions

Kentucky Utilities \$13MM
Comparison Tax Exempt Synthetic Fixed vs Taxable Fixed at Fidelity
Assumptions

Kentucky Utilities Tax Exempt Bond
3.830% \$ 13,266,950 Matures July 1, 2035

Unamortized Debt Expense \$602,279 At July 1, 2005

Remaining amortization period
From July 1, 2005 to Maturity 360.0 months
Assuming a 30 Year Extension 360.0 months

Taxable Fidelity Loan
\$ 5,560% \$ 13,266,950 Matures July 1, 2035

| Bond Issue Costs | | |
|-------------------|---------------|-------|
| Underwriting | \$ 80,000.00 | 0.35% |
| Bond Counsel | \$ 70,000.00 | 0.60% |
| Company Counsel | \$ 12,000.00 | 0.55% |
| Underwriters Cost | \$ 250,844.86 | 0.32% |
| Insurance | \$ 40,000.00 | 1.69% |
| Printings | \$ 17,000.00 | 0.30% |
| Trustee Counsel | \$ 8,000.00 | 0.13% |
| Accountants | \$ 40,000.00 | 0.65% |
| Trustee | \$ 6,000.00 | 0.30% |
| FMS Trustee | \$ 4,000.00 | 0.03% |
| AMT | | 0.00% |

Issuance costs 4.19%

MISCELLANEOUS

Tax rate 40.353% 0
Discount rate 3.32%

| Insurance Premium Calculation | | |
|-------------------------------|------------|--|
| Per | 13,266,950 | |
| Reb Coupon | 67% | |
| Annual | 672,524 | |
| 30 Years | 20,175,031 | |
| Total Debt Serv | 33,445,981 | |
| Premium Rate | 0.75% | |
| Premium | 250,845 | |

Remaining Expense 33,167
(GAAP Expense)

KENTUCKY UTILITIES
Comparison Tax Exempt Floating vs Taxable Floating (Intercompany)

Kentucky Utilities \$13MM
Comparison Tax Exempt Floating vs Taxable Floating (Intercompany)
Impact on Cash Flow

PRESENT VALUE ANALYSIS

TAXABLE FLOATING RATE INTERCOMPANY LOAN

| Date | Principal Outstanding | Interest @ 3.000% | Debt Expense Amortization | Issue Expenses | Taxes | Total Cash Outlay | Interest @ 4.031% | Debt Expense Amortization(1) | Taxes(2) | Total Cash Outlay | Periodic (Savings)/Cost of Tax Exempts | Present Value Factor | Present Value (Savings)/Cost |
|-----------|-----------------------|-------------------|---------------------------|----------------|---------------|-------------------|-------------------|------------------------------|---------------|-------------------|--|----------------------|------------------------------|
| | | | | | | | | | | | | | |
| 01-Jun-06 | \$ 13,266,950 | 199.004 | 10.038 | \$602,279 | (84,375) | \$602,279 | 267.009 | | (107.933) | \$0 | \$602,279 | 1.0000 | \$602,279 |
| 01-Jun-06 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.9881 | (44,311) |
| 01-Jun-06 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.9763 | (43,782) |
| 01-Jun-07 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.9646 | (43,259) |
| 01-Jun-07 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.9531 | (42,743) |
| 01-Jun-08 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.9417 | (42,233) |
| 01-Jun-08 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.9305 | (41,729) |
| 01-Jun-09 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.9194 | (41,231) |
| 01-Jun-09 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.9084 | (40,738) |
| 01-Jun-10 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8976 | (40,252) |
| 01-Jun-10 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8868 | (39,772) |
| 01-Jun-11 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8763 | (39,297) |
| 01-Jun-11 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8658 | (38,828) |
| 01-Jun-12 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8555 | (38,364) |
| 01-Jun-12 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8453 | (37,906) |
| 01-Jun-13 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8352 | (37,454) |
| 01-Jun-13 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8252 | (37,007) |
| 01-Jun-14 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8153 | (36,565) |
| 01-Jun-14 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.8056 | (36,129) |
| 01-Jun-15 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7960 | (35,697) |
| 01-Jun-15 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7865 | (35,271) |
| 01-Jun-16 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7771 | (34,850) |
| 01-Jun-16 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7678 | (34,434) |
| 01-Jun-17 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7587 | (34,023) |
| 01-Jun-17 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7496 | (33,617) |
| 01-Jun-18 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7407 | (33,216) |
| 01-Jun-18 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7318 | (32,819) |
| 01-Jun-19 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7231 | (32,428) |
| 01-Jun-19 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7145 | (32,041) |
| 01-Jun-20 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.7059 | (31,658) |
| 01-Jun-21 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6975 | (31,280) |
| 01-Jun-21 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6892 | (30,907) |
| 01-Jun-22 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6809 | (30,538) |
| 01-Jun-22 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6728 | (30,173) |
| 01-Jun-23 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6648 | (29,813) |
| 01-Jun-23 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6569 | (29,457) |
| 01-Jun-24 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6490 | (29,106) |
| 01-Jun-24 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6413 | (28,759) |
| 01-Jun-25 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6336 | (28,415) |
| 01-Jun-25 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6260 | (28,076) |
| 01-Jun-26 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6186 | (27,741) |
| 01-Jun-26 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6112 | (27,410) |
| 01-Jun-27 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.6039 | (27,082) |
| 01-Jun-27 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5967 | (26,759) |
| 01-Jun-28 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5896 | (26,440) |
| 01-Jun-28 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5825 | (26,124) |
| 01-Jun-29 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5756 | (25,812) |
| 01-Jun-29 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5687 | (25,504) |
| 01-Jun-30 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5619 | (25,200) |
| 01-Jun-30 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5552 | (24,902) |
| 01-Jun-31 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5486 | (24,602) |
| 01-Jun-31 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5420 | (24,308) |
| 01-Jun-32 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5356 | (24,018) |
| 01-Jun-32 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5292 | (23,731) |
| 01-Jun-33 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5228 | (23,448) |
| 01-Jun-33 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5166 | (23,168) |
| 01-Jun-34 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5104 | (22,891) |
| 01-Jun-34 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.5043 | (22,618) |
| 01-Jun-35 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.4983 | (22,346) |
| 01-Jun-35 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.4924 | (22,081) |
| 01-Jul-35 | 13,266,950 | 199.004 | 10.038 | | (84,375) | 114,630 | 267.009 | | (107.933) | 159,476 | (44,846) | 0.4865 | (21,816) |
| TOTAL | | \$11,940,255 | \$602,279 | \$602,279 | (\$5,062,480) | \$7,480,054 | \$16,044,519 | \$0 | (\$5,473,952) | \$0 | (\$2,088,493) | | (\$1,303,902) |
| NPV | | | | | | \$7,480,054 | | | | \$7,480,054 | | | |

(1) Debt Amortization Expense includes Issuing costs of new series
(2) Tax calculation based on interest expense and the amortization of new issue debt expense

Assumptions

Kentucky Utilities \$13MM
Comparison Tax Exempt Floating vs Taxable Floating (intercompany)
Assumptions

Kentucky Utilities Tax Exempt Bond
3.000% \$ 13,266,950 Matures July 1 2035

Unamortized Debt Expense
\$502,279 At July 1 2005

Remaining amortization period

From July 1 2005 to Maturity 360.0 months
Assuming a 30 Year Maturity 360.0 months

Taxable Fidella Loan \$ 13,266,950 Matures July 1 2035

Bond Issue Costs 4.54%

| | | |
|------------------|---------------|-------|
| Underwriting | \$ 80,000.00 | 0.35% |
| Bond Counsel | \$ 70,000.00 | 0.50% |
| Company Counsel | \$ 42,000.00 | 0.32% |
| Underwriters Fee | \$ 250,844.86 | 1.89% |
| Insurance | \$ 40,000.00 | 0.30% |
| Rating | \$ 17,000.00 | 0.13% |
| Trustee Counsel | \$ 6,000.00 | 0.05% |
| Accountants | \$ 40,000.00 | 0.30% |
| Trustee | \$ 6,000.00 | 0.05% |
| FMB Trustee | \$ 4,000.00 | 0.03% |
| AMT | | 0.00% |
| Issuance costs | | 4.19% |

MISCELLANEOUS
Tax rate 0

Discount rate 2.40%

| | |
|-------------------------------|------------|
| Insurance Premium Calculation | |
| REI Coupon | 13,266,950 |
| Annual | 5.07% |
| 30 Years | 672,634 |
| Total Debt Serv | 20,179,031 |
| Premium Rate | 33,445,981 |
| Premium | 0.75% |
| 250,845 | |
| Remarking Expense | 33,167 |
| (O&M Expense) | |

Kentucky Utilities \$13MM
Comparison Tax Exempt Floating vs Taxable Floating (Intercompany)
Impact on Cash Flow

PRESENT VALUE ANALYSIS

TAXABLE FLOATING RATE INTERCOMPANY LOAN

TAX EXEMPT POLLUTION CONTROL BONDS

| Date | Principal Outstanding \$1,000% | Interest @ 1.00% | Debt Expense Amortization | Interest Expense \$602,279 | Taxes | Total Cash Outlay \$602,279 | Interest @ 4.031% | Debt Expense Amortization (1) | Taxes (2) | Total Cash Outlay | Periodic Savings/Cost Tax Exempts \$602,279 | Present Value Factor | Present Value (\$602,279) |
|-----------|--------------------------------|------------------|---------------------------|----------------------------|--------------|-----------------------------|-------------------|-------------------------------|-----------|-------------------|---|----------------------|---------------------------|
| 01-Jan-05 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 1,0000 | 159,476 | (44,311) |
| 01-Jan-06 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9901 | 157,886 | (44,311) |
| 01-Jan-07 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9803 | 156,361 | (44,311) |
| 01-Jan-08 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9705 | 154,836 | (44,311) |
| 01-Jan-09 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9607 | 153,311 | (44,311) |
| 01-Jan-10 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9509 | 151,786 | (44,311) |
| 01-Jan-11 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9411 | 150,261 | (44,311) |
| 01-Jan-12 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9313 | 148,736 | (44,311) |
| 01-Jan-13 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9215 | 147,211 | (44,311) |
| 01-Jan-14 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9117 | 145,686 | (44,311) |
| 01-Jan-15 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.9019 | 144,161 | (44,311) |
| 01-Jan-16 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8921 | 142,636 | (44,311) |
| 01-Jan-17 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8823 | 141,111 | (44,311) |
| 01-Jan-18 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8725 | 139,586 | (44,311) |
| 01-Jan-19 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8627 | 138,061 | (44,311) |
| 01-Jan-20 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8529 | 136,536 | (44,311) |
| 01-Jan-21 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8431 | 135,011 | (44,311) |
| 01-Jan-22 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8333 | 133,486 | (44,311) |
| 01-Jan-23 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8235 | 131,961 | (44,311) |
| 01-Jan-24 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8137 | 130,436 | (44,311) |
| 01-Jan-25 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.8039 | 128,911 | (44,311) |
| 01-Jan-26 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7941 | 127,386 | (44,311) |
| 01-Jan-27 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7843 | 125,861 | (44,311) |
| 01-Jan-28 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7745 | 124,336 | (44,311) |
| 01-Jan-29 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7647 | 122,811 | (44,311) |
| 01-Jan-30 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7549 | 121,286 | (44,311) |
| 01-Jan-31 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7451 | 119,761 | (44,311) |
| 01-Jan-32 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7353 | 118,236 | (44,311) |
| 01-Jan-33 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7255 | 116,711 | (44,311) |
| 01-Jan-34 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7157 | 115,186 | (44,311) |
| 01-Jan-35 | 13,265,950 | 199,004 | 10,038 | (84,375) | (84,375) | 159,476 | 267,409 | 267,409 | (107,933) | 159,476 | 0.7059 | 113,661 | (44,311) |
| TOTAL | | \$11,910,255 | \$602,279 | | (15,092,480) | \$7,480,054 | \$16,044,519 | | \$0 | \$9,568,550 | | | \$1,303,902 |
| NPV | | | | | | 5,417,302 | | | | 6,708,745 | | | |

(1) Debt Amortization Expense includes issuing costs of new series
(2) Tax calculation based on interest expense and the amortization of new issue debt expense

Assumptions

Kentucky Utilities \$13MM
Comparison Tax Exempt Floating vs Taxable Floating (Intracompany)
Assumptions

Kentucky Utilities Tax Exempt Bond
3.000% \$ 13,268,950 Matures July 1, 2035

Unamortized Debt Expense
\$592,279 At July 1, 2005

Remaining amortization period
From July 1, 2005 to Maturity 360.0 months
Assuming a 30 Year Maturity 360.0 months

Taxable Fidelity Loan
4.031% \$ 13,268,950 Matures July 1, 2035

| | | | | |
|--------------------|---------------|--------------|-------|-------|
| Bond Issue Costs | | Underwriting | 0.35% | 4.54% |
| Bond Counsel | \$ 80,000.00 | | | |
| Company Counsel | \$ 70,000.00 | | 0.69% | |
| Underwriters' Cost | \$ 4,000.00 | | 0.32% | |
| Insurance | \$ 250,000.00 | | 0.30% | |
| Rating | \$ 40,000.00 | | 0.30% | |
| Printing | \$ 17,000.00 | | 0.13% | |
| Trustee Counsel | \$ 6,000.00 | | 0.05% | |
| Accountants | \$ 40,000.00 | | 0.30% | |
| Trustee | \$ 6,000.00 | | 0.05% | |
| NYNEX Trustee | \$ 4,000.00 | | 0.03% | |
| AUT | | | 0.00% | |
| Insurance costs | | | 4.19% | |

MISCELLANEOUS

Tax rate 40.363%

Discount rate 2.40%

| | |
|-------------------------------|------------|
| Insurance Premium Calculation | |
| Par | 13,268,950 |
| RBI Coupon | 5.07% |
| Annual | 672,034 |
| 30 Years | 20,179,031 |
| Initial Cost Sav | 33,446,861 |
| Premium Rate | 0.75% |
| Premium | 250,845 |

Remarketing Expense 33,167
(ODM Expense)

KENTUCKY UTILITIES
Comparison Tax Exempt Synthetic Fixed vs Taxable Fixed at Fidelity

Kentucky Utilities \$13MM
Comparison Tax Exempt Synthetic Fixed vs Taxable Fixed at Fidelity
Impact on Cash Flow

TAX EXEMPT POLLUTION CONTROL BONDS

| Date | Principal Outstanding | Interest @ 3.830% | Debt Expense Amortization | Issue Expenses | Taxes |
|-----------|-----------------------|-------------------|---------------------------|----------------|-------------|
| 01 Jul-05 | \$ 13,265,950 | 254,062 | 10,038 | \$602,279 | (106,597) |
| 01 Jan-06 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-06 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-07 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-07 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-08 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-08 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-09 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-09 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-10 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-10 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-11 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-11 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-12 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-12 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-13 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-13 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-14 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-14 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-15 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-15 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-16 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-16 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-17 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-17 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-18 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-18 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-19 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-19 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-20 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-20 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-21 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-21 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-22 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-22 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-23 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-23 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-24 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-24 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-25 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-25 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-26 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-26 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-27 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-27 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-28 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-28 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-29 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-29 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-30 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-30 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-31 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-31 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-32 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-32 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-33 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-33 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-34 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-34 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jan-35 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| 01 Jul-35 | 13,265,950 | 254,062 | 10,038 | | (106,597) |
| TOTAL | | \$15,243,726 | \$602,279 | \$602,279 | \$6,395,844 |
| NPV | | | | | \$9,459,151 |

TAXABLE FIXED RATE LOAN FROM FIDELIA

| Date | Principal Outstanding | Interest @ 5.560% | Debt Expense Amortization (1) | Taxes (2) | Total Cash Outlay |
|-----------|-----------------------|-------------------|-------------------------------|-------------|-------------------|
| 01 Jul-05 | \$ 13,265,950 | 368,821 | (148,865) | \$0 | \$219,956 |
| 01 Jan-06 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-06 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-07 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-07 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-08 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-08 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-09 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-09 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-10 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-10 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-11 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-11 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-12 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-12 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-13 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-13 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-14 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-14 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-15 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-15 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-16 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-16 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-17 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-17 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-18 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-18 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-19 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-19 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-20 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-20 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-21 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-21 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-22 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-22 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-23 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-23 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-24 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-24 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-25 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-25 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-26 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-26 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-27 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-27 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-28 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-28 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-29 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-29 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-30 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-30 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-31 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-31 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-32 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-32 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-33 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-33 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-34 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-34 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jan-35 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| 01 Jul-35 | 13,265,950 | 368,821 | (148,865) | | 219,956 |
| TOTAL | | \$22,129,272 | \$0 | \$6,395,844 | \$13,197,345 |
| NPV | | | | | \$ 184,761 |

PRESENT VALUE ANALYSIS

| Periodic (Cost) or Refundings | SAVINGS from Refundings | Present Value Factor | Present Value SAVINGS |
|-------------------------------------|----------------------------|-------------------------|--------------------------|
| \$602,279 | | 1.0000 | \$602,279 |
| (72,491) | | 0.9936 | (71,301) |
| (72,491) | | 0.9874 | (70,130) |
| (72,491) | | 0.9815 | (68,978) |
| (72,491) | | 0.9759 | (67,846) |
| (72,491) | | 0.9706 | (66,736) |
| (72,491) | | 0.9654 | (65,636) |
| (72,491) | | 0.9606 | (64,550) |
| (72,491) | | 0.9559 | (63,480) |
| (72,491) | | 0.9516 | (62,426) |
| (72,491) | | 0.9474 | (61,390) |
| (72,491) | | 0.9435 | (60,369) |
| (72,491) | | 0.9396 | (59,363) |
| (72,491) | | 0.9359 | (58,372) |
| (72,491) | | 0.9323 | (57,395) |
| (72,491) | | 0.9288 | (56,432) |
| (72,491) | | 0.9254 | (55,482) |
| (72,491) | | 0.9221 | (54,544) |
| (72,491) | | 0.9189 | (53,617) |
| (72,491) | | 0.9157 | (52,701) |
| (72,491) | | 0.9126 | (51,795) |
| (72,491) | | 0.9095 | (50,900) |
| (72,491) | | 0.9065 | (50,015) |
| (72,491) | | 0.9036 | (49,140) |
| (72,491) | | 0.9007 | (48,275) |
| (72,491) | | 0.8979 | (47,420) |
| (72,491) | | 0.8952 | (46,574) |
| (72,491) | | 0.8925 | (45,737) |
| (72,491) | | 0.8899 | (44,908) |
| (72,491) | | 0.8873 | (44,087) |
| (72,491) | | 0.8848 | (43,273) |
| (72,491) | | 0.8823 | (42,466) |
| (72,491) | | 0.8798 | (41,665) |
| (72,491) | | 0.8774 | (40,870) |
| (72,491) | | 0.8750 | (40,081) |
| (72,491) | | 0.8726 | (39,298) |
| (72,491) | | 0.8703 | (38,521) |
| (72,491) | | 0.8680 | (37,750) |
| (72,491) | | 0.8657 | (36,984) |
| (72,491) | | 0.8635 | (36,233) |
| (72,491) | | 0.8613 | (35,487) |
| (72,491) | | 0.8591 | (34,746) |
| (72,491) | | 0.8569 | (34,010) |
| (72,491) | | 0.8548 | (33,278) |
| (72,491) | | 0.8527 | (32,551) |
| (72,491) | | 0.8506 | (31,828) |
| (72,491) | | 0.8485 | (31,110) |
| (72,491) | | 0.8465 | (30,396) |
| (72,491) | | 0.8445 | (29,687) |
| (72,491) | | 0.8425 | (28,982) |
| (72,491) | | 0.8405 | (28,282) |
| (72,491) | | 0.8385 | (27,586) |
| (72,491) | | 0.8366 | (26,894) |
| (72,491) | | 0.8347 | (26,206) |
| (72,491) | | 0.8328 | (25,521) |
| (72,491) | | 0.8309 | (24,840) |
| (72,491) | | 0.8290 | (24,162) |
| (72,491) | | 0.8271 | (23,488) |
| (72,491) | | 0.8252 | (22,817) |
| (72,491) | | 0.8233 | (22,149) |
| (72,491) | | 0.8214 | (21,484) |
| (72,491) | | 0.8195 | (20,822) |
| (72,491) | | 0.8176 | (20,163) |
| (72,491) | | 0.8157 | (19,507) |
| (72,491) | | 0.8138 | (18,854) |
| (72,491) | | 0.8119 | (18,204) |
| (72,491) | | 0.8100 | (17,556) |
| (72,491) | | 0.8081 | (16,911) |
| (72,491) | | 0.8062 | (16,268) |
| (72,491) | | 0.8043 | (15,627) |
| (72,491) | | 0.8024 | (14,989) |
| (72,491) | | 0.8005 | (14,353) |
| (72,491) | | 0.7986 | (13,719) |
| (72,491) | | 0.7967 | (13,087) |
| (72,491) | | 0.7948 | (12,457) |
| (72,491) | | 0.7929 | (11,829) |
| (72,491) | | 0.7910 | (11,203) |
| (72,491) | | 0.7891 | (10,579) |
| (72,491) | | 0.7872 | (9,957) |
| (72,491) | | 0.7853 | (9,337) |
| (72,491) | | 0.7834 | (8,719) |
| (72,491) | | 0.7815 | (8,103) |
| (72,491) | | 0.7796 | (7,489) |
| (72,491) | | 0.7777 | (6,877) |
| (72,491) | | 0.7758 | (6,267) |
| (72,491) | | 0.7739 | (5,659) |
| (72,491) | | 0.7720 | (5,053) |
| (72,491) | | 0.7701 | (4,449) |
| (72,491) | | 0.7682 | (3,847) |
| (72,491) | | 0.7663 | (3,247) |
| (72,491) | | 0.7644 | (2,649) |
| (72,491) | | 0.7625 | (2,053) |
| (72,491) | | 0.7606 | (1,459) |
| (72,491) | | 0.7587 | (867) |
| (72,491) | | 0.7568 | (275) |
| (72,491) | | 0.7549 | (133) |
| (72,491) | | 0.7530 | (71) |
| (72,491) | | 0.7511 | (9) |
| (72,491) | | 0.7492 | (-53) |
| (72,491) | | 0.7473 | (-115) |
| (72,491) | | 0.7454 | (-177) |
| (72,491) | | 0.7435 | (-239) |
| (72,491) | | 0.7416 | (-301) |
| (72,491) | | 0.7397 | (-363) |
| (72,491) | | 0.7378 | (-425) |
| (72,491) | | 0.7359 | (-487) |
| (72,491) | | 0.7340 | (-549) |
| (72,491) | | 0.7321 | (-611) |
| (72,491) | | 0.7302 | (-673) |
| (72,491) | | 0.7283 | (-735) |
| (72,491) | | 0.7264 | (-797) |
| (72,491) | | 0.7245 | (-859) |
| (72,491) | | 0.7226 | (-921) |
| (72,491) | | 0.7207 | (-983) |
| (72,491) | | 0.7188 | (-1,045) |
| (72,491) | | 0.7169 | (-1,107) |
| (72,491) | | 0.7150 | (-1,169) |
| (72,491) | | 0.7131 | (-1,231) |
| (72,491) | | 0.7112 | (-1,293) |
| (72,491) | | 0.7093 | (-1,355) |
| (72,491) | | 0.7074 | (-1,417) |
| (72,491) | | 0.7055 | (-1,479) |
| (72,491) | | 0.7036 | (-1,541) |
| (72,491) | | 0.7017 | (-1,603) |
| (72,491) | | 0.7000 | (-1,665) |
| (72,491) | | 0.6981 | (-1,727) |
| (72,491) | | 0.6962 | (-1,789) |
| (72,491) | | 0.6943 | (-1,851) |
| (72,491) | | 0.6924 | (-1,913) |
| (72,491) | | 0.6905 | (-1,975) |
| (72,491) | | 0.6886 | (-2,037) |
| (72,491) | | 0.6867 | (-2,099) |
| (72,491) | | 0.6848 | (-2,161) |
| (72,491) | | 0.6829 | (-2,223) |
| (72,491) | | 0.6810 | (-2,285) |
| (72,491) | | 0.6791 | (-2,347) |
| (72,491) | | 0.6772 | (-2,409) |
| (72,491) | | 0.6753 | (-2,471) |
| (72,491) | | 0.6734 | (-2,533) |
| (72,491) | | 0.6715 | (-2,595) |
| (72,491) | | 0.6696 | (-2,657) |
| (72,491) | | 0.6677 | (-2,719) |
| (72,491) | | 0.6658 | (-2,781) |
| (72,491) | | 0.6639 | (-2,843) |
| (72,491) | | 0.6620 | (-2,905) |
| (72,491) | | 0.6601 | (-2,967) |
| (72,491) | | 0.6582 | (-3,029) |
| (72,491) | | 0.6563 | (-3,091) |
| (72,491) | | 0.6544 | (-3,153) |
| (72,491) | | 0.6525 | (-3,215) |
| (72,491) | | 0.6506 | (-3,277) |
| (72,491) | | 0.6487 | (-3,339) |
| (72,491) | | 0.6468 | (-3,401) |
| (72,491) | | 0.6449 | (-3,463) |
| (72,491) | | 0.6430 | (-3,525) |
| (72,491) | | 0.6411 | (-3,587) |
| (72,491) | | 0.6392 | (-3,649) |
| (72,491) | | 0.6373 | (-3,711) |
| (72,491) | | 0.6354 | (-3,773) |
| (72,491) | | 0.6335 | (-3,835) |
| (72,491) | | 0.6316 | (-3,897) |
| (72,491) | | 0.6297 | (-3,959) |
| (72,491) | | 0.6278 | (-4,021) |
| (72,491) | | 0.6259 | (-4,083) |
| (72,491) | | 0.6240 | (-4,145) |
| (72,491) | | 0.6221 | (-4,207) |
| (72,491) | | 0.6202 | (-4,269) |
| (72,491) | | 0.6183 | (-4,331) |
| (72,491) | | 0.6164 | (-4,393) |
| (72,491) | | 0.6145 | (-4,455) |
| (72,491) | | 0.6126 | (-4,517) |
| (72,491) | | 0.6107 | (-4,579) |
| (72,491) | | 0.6088 | (-4,641) |
| (72,491) | | 0.6069 | (-4,703) |
| (72,491) | | 0.6050 | (-4,765) |
| (72,491) | | 0.6031 | (-4,827) |
| (72,491) | | 0.6012 | (-4,889) |
| (72,491) | | 0.5993 | (-4,951) |
| (72,491) | | 0.5974 | (-5,013) |
| (72,491) | | 0.5955 | (-5,075) |
| (72,491) | | 0.5936 | (-5,137) |
| (72,491) | | 0.5917 | (-5,199) |
| (72,491) | | 0.5898 | (-5,261) |
| (72,491) | | 0.5879 | (-5,323) |
| (72,491) | | 0.5860 | (-5,385) |
| (72,491) | | 0.5841 | (-5,447) |
| (72,491) | | 0.5822 | (-5,509) |
| (72,491) | | 0.5803 | (-5,571) |
| (72,491) | | 0.5784 | (-5,633) |
| (72,491) | | 0.5765 | (-5,695) |
| (72,491) | | 0.5746 | (-5,757) |
| (72,491) | | 0.5727 | (-5,819) |
| (72,491) | | 0.5708 | (-5,881) |
| (72,491) | | 0.5689 | (-5,943) |
| (72,491) | | 0.5670 | (-6,005) |
| (72,491) | | 0.5651 | (-6,067) |
| (72,491) | | 0.5632 | (-6,129) |
| (72,491) | | 0.5613 | (-6,191) |
| (72,491) | | 0.5594 | (-6,253) |
| (72,491) | | 0.5575 | (-6,315) |
| (72,491) | | 0.5556 | (-6,377) |
| (72,491) | | 0.5537 | (-6,439) |
| (72,491) | | 0.5518 | (-6,501) |
| (72,491) | | 0.5499 | (-6,563) |
| (72,491) | | 0.5480 | (-6,625) |
| (72,491) | | 0.5461 | (-6,687) |
| (72,491) | | 0.5442 | (-6,749) |
| (72,491) | | 0.5423 | (-6,811) |
| (72,491) | | 0.5404 | (-6,873) |
| (72,491) | | 0.5385 | (-6,935) |
| (72,491) | | 0.5366 | (-7,000) |
| (72,491) | | 0.5347 | (-7,065) |
| (72,491) | | 0.5328 | (-7,130) |
| (72,491) | | 0.5309 | (-7,195) |
| (72,491) | | 0.5290 | (-7,260) |
| (72,491) | | 0.5271 | (-7,325) |
| (72,491) | | 0.5252 | (-7,390) |
| (72,491) | | 0.5233 | (-7,455) |
| (72,491) | | 0.5214 | (-7,520) |
| (72,491) | | 0.5195 | (-7,585) |
| (72,491) | | 0.5176 | (-7,650) |
| (72,491) | | 0.5157 | (-7,715) |
| (72,491) | | 0.5138 | (-7,780) |
| (72,491) | | 0.5119 | (-7,845) |
| (72,491) | | 0.5100 | (-7,910) |
| (72,491) | | 0.5081 | (-7,975) |
| (72,491) | | 0.5062 | (-8,040) |
| (72,491) | | 0.5043 | (-8,105) |
| (72,491) | | 0.5024 | (-8,170) |
| (72,491) | | 0.5005 | (-8,235) |
| (72,491) | | 0.4986 | (-8,300) |
| (72,491) | | 0.4967 | (-8,365) |
| (72,491) | | 0.4948 | (-8,430) |
| (72,491) | | 0.4929 | (-8,495) |
| (72,491) | | 0.4910 | (-8,560) |
| (72,491) | | 0.4891 | (-8,625) |
| (72,491) | | 0.4872 | (-8,690) |
| (72,491) | | 0.4853 | (-8,755) |
| (72,491) | | 0.4834 | (-8,820) |
| (72,491) | | 0.4815 | (-8,885) |
| (72,491) | | 0.4796 | (-8,950) |
| (72,491) | | 0.4777 | (-9,015) |
| (72,491) | | 0.4758 | (-9,080) |
| (72,491) | | 0.4739 | (-9,145) |
| (72,491) | | 0.4720 | (-9,210) |
| (72,491) | | 0.4701 | (-9,275) |
| (72,491) | | 0.4682 | (-9,340) |
| (72,491) | | 0.4663 | (-9,405) |
| (72,491) | | 0.4644 | (-9,470) |
| (72,491) | | 0.4625 | (-9,535) |
| (72,491) | | 0.4606 | (-9,600) |
| (72,491) | | 0.4587 | (-9,665) |
| (72,491) | | 0.4568 | (-9,730) |
| (72,491) | | 0.4549 | (-9,795) |
| (72,491) | | 0.4530 | (-9,860) |
| (72,491) | | 0.4511 | (-9,925) |
| (72,491) | | 0.4492 | (-9,990) |
| (72,491) | | 0.4473 | (-10,055) |
| (72,491) | | 0.4454 | (-10,120) |
| (72,491) | | 0.4435 | (-10,185) |
| (72,491) | | 0.4416 | (-10,250) |
| (72,491) | | 0.4397 | (-10,315) |
| (72,491) | | 0.4378 | (-10,380) |
| (72,491) | | 0.4359 | (-10,445) |
| (72,491) | | 0.4340 | (-10,510) |
| (72,491) | | 0.4321 | (-10,575) |
| (72,491) | | 0.4302 | (-10,640) |
| (72,491) | | 0.4283 | (-10,705) |
| (72,491) | | 0.4264 | (-10,770) |
| (72,491) | | 0.4245 | (-10,835) |
| (72,491) | | 0.4226 | (-10,900) |
| (72,491) | | 0.4207 | (-10,965) |
| (72,491) | | 0.4188 | (-11,030) |
| (72,491) | | 0.4169 | (-11,095) |
| (72,491) | | 0.4150 | (-11,160) |
| (72,491) | | 0.4131 | (-11,225) |
| (72,491) | | 0.4112 | (-11,290) |
| (72,491) | | 0.4093 | (-11,355) |
| (72,491) | | 0.4074 | (-11,420) |
| (72,491) | | 0.4055 | (-11,485) |
| (72,491) | | 0.4036 | (-11,550) |
| (72,491) | | 0.4017 | (-11,615) |
| (72,491) | | 0.3998 | (-11,680) |
| (72,491) | | 0.3979 | (-11,745) |
| (72,491) | | 0.3960 | (-11,810) |
| (72,491) | | 0.3941 | (-11,875) |
| (72,491) | | 0.3922 | (-11,940) |
| (72,491) | | 0.3903 | (-12,005) |
| (72,491) | | 0.3884 | (-12,070) |
| (72,491) | | 0.3865 | (-12,135) |
| (72,491) | | 0.3846 | (-12,200) |
| (72,491) | | 0.3827 | (-12,265) |
| (72,491) | | 0.3808 | (-12,330) |
| (72,491) | | 0.3789 | (-12,395) |
| (72,491) | | 0.3770 | (-12,460) |
| (72,491) | | 0.3751 | (-12,525) |
| (72,491) | | 0.3732 | (-12,590) |
| (72,491) | | 0.3713 | (-12,655) |
| (72,491) | | 0.3694 | (-12,720) |
| (72,491) | | 0.3675 | (-12,785) |
| (72,491) | | 0.3656 | (-12,850) |
| | | | |

Assumptions

Kentucky Utilities Tax Exempt Bond
 Comparison Tax Exempt Synthetic Fixed vs Taxable Fixed at Fidelity

Kentucky Utilities Tax Exempt Bond
 3.830% \$ 13,266,950 Matures July 1, 2035

Unamortized Debt Expense
 Remaining amortization period \$602,279 At July 1, 2005

From July 1, 2005 to Maturity 360.0 months
 Assuming a 30 Year Extension 360.0 months

Taxable Fidelity Loan \$ 5,569% \$ 13,266,950 Matures July 1, 2035

Bond Issue Costs
 Underwriting 4.54%

Bond Counsel \$ 80,000.00 0.35%
 Company Counsel \$ 70,000.00 0.53%
 Underwriters Costs \$ 1,000,000.00 7.54%
 Insurance \$ 250,000.00 1.88%
 Rating \$ 40,000.00 0.30%
 Printing \$ 17,000.00 0.13%
 Trustee Counsel \$ 6,000.00 0.05%
 Accountants \$ 40,000.00 0.30%
 Trustee \$ 6,000.00 0.05%
 PMB Trustee \$ 4,000.00 0.03%
 AMT 0.06%

Insurance costs 4.19%

MISCELLANEOUS

Tax rate 40.35%
 Discount rate 3.32%

| Insurance Premium Calculation | |
|-------------------------------|------------|
| Per | 13,266,950 |
| RBI Coupon | 5.07% |
| 30 Years | 67 |
| Total Debt Serv | 20,179,931 |
| Premium Rate | 33.445581 |
| Premium | 0.73% |
| Remarks: Expense | 250,000 |
| (GDM Expense) | 33.167 |

RESOLUTION NO 2005-0222

A RESOLUTION OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT BY AND BETWEEN THE COUNTY AND KENTUCKY UTILITIES COMPANY, A KENTUCKY CORPORATION, RELATING TO THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION AND EQUIPPING OF CERTAIN SOLID WASTE RECYCLING AND DISPOSAL FACILITIES IN THE COUNTY, AGREEING TO UNDERTAKE THE ISSUANCE OF REVENUE BONDS AT THE APPROPRIATE TIME TO PAY THE COSTS OF ACQUIRING, CONSTRUCTING, RECONSTRUCTING AND EQUIPPING SAID FACILITIES, AND TAKING OTHER PRELIMINARY ACTIONS

WHEREAS, Kentucky Utilities Company (the "Company"), is a regulated public utility providing electric service to the general public and the Company owns and operates various electrical generating facilities, including the Ghent Generating Station, in Carroll County, Kentucky (the "County"); and in furtherance of the purpose of collecting, storing, treating, processing, recycling and disposing of solid wastes, and to comply with federal and state environmental regulations, it is essential and necessary that the Company design, acquire and construct additional solid waste disposal facilities relating to flue gas desulphurization to serve the Ghent Generating Station, including among other things, solid waste recycling and related facilities, including forced oxidation reaction processes for recycling purposes, for the treatment, processing, recycling and final disposition of solid wastes produced by the operation of such sulphur dioxide removal facilities at the Ghent Generating Station (collectively, the "Project"), and

WHEREAS, as the Company derives substantially all of its income and revenues from electric user rates and charges which are paid by the general public and any reduction in the costs to the Company of borrowing moneys for acquisition and construction of the Project will inure directly to the benefit of said electric consumers, including citizens of Carroll County, Kentucky; and

WHEREAS, the County is authorized by KRS Sections 103.200 to 103.285, inclusive (the "Act") to issue its revenue bonds for the purpose of defraying the costs of constructing and acquiring the Project; discussions have occurred between the Company and the County incident to the issuance of one or more series of revenue bonds by the County for such purpose, the County has agreed with the Company to issue one or more series of such bonds upon compliance by the Company with certain conditions, requirements and obligations, and subject to the approval of the County of the terms of all agreements, ordinances and other documents required incident to said bond issues, and the County has authorized the Company to proceed with the construction and acquisition of the Project, subject to reimbursement of the costs of the Project from the proceeds of such bonds, as, if and when issued, and

WHEREAS, based upon an estimate of the costs of the Project, the County proposes to issue its revenue bonds in one or more series in the estimated amount of \$30,000,000 (the "Bonds"), such Bonds to be sold and delivered by the County to pay the costs of the Project, together with costs incident to the authorization, sale and issuance of the Bonds, and

WHEREAS, the County proposes to enter into at the appropriate time a loan agreement or other financing agreement with the Company with respect to the Project, whereby the Company will covenant and agree to pay amounts sufficient to provide for the payment of principal of, premium, if any, and interest on the Bonds, together with all trustee's and paying agent's fees in connection with the Bonds as the same become due and payable, and

WHEREAS, it is deemed necessary and advisable that a Memorandum of Agreement between the County and the Company be executed setting forth the preliminary agreements of the parties with respect to the construction and acquisition of the Project, the issuance of one or more series of the Bonds to defray the costs thereof and the payments to be made by the Company with respect to the Bonds and the Project,

NOW, THEREFORE, BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, AS FOLLOWS

Section 1. It is hereby found, determined and declared that (i) the recitals set forth in the preambles to this Resolution, which are incorporated in this Section by reference, are true and correct, (ii) the total amount of money necessary to be provided by the County for the construction and acquisition of the Project to be financed by the Bonds will be approximately \$30,000,000; (iii) the Company has represented that it has sufficient financial resources to construct and acquire the Project and to place it in operation and to continue to operate, maintain and insure the Project throughout the term of the Bond issue, meeting when due the obligations of the proposed financing agreement; and (iv) sufficient safeguards will be provided by the financing agreement to insure that all money provided by the County from the proceeds of the sale of the Bonds will be expended by way of direct expenditure or reimbursement, solely and only for the purposes of the Project. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

Section 2. It is hereby found, determined and declared that the cost of constructing and acquiring the Project will be paid out of the proceeds of one or more series of Bonds and such contributions of the Company as may be necessary to complete the Project, as such Project is defined in the loan or other financing agreement to be executed by and between the County and the Company at the appropriate time pursuant to the Act; that none of the Bonds will be general obligations of the County; that neither the Bonds nor the interest thereon shall constitute or give rise to any indebtedness of the County or any charge against its general credit or taxing power, but that the Bonds and the payment of interest thereon shall be secured and payable solely and only by a pledge of amounts to be paid by the Company under such loan or other financing agreement; and that no part of said costs will be payable out of any general funds, revenues, assets, properties or other contributions of the County

Section 3 In order to induce the construction and acquisition of the Project in the County with the resultant public benefits which will flow therefrom, it is deemed necessary and advisable that the Memorandum of Agreement hereinafter referred to be approved and executed for and on behalf of the County. Accordingly, the Memorandum of Agreement by and between the Company and the County attached hereto as Exhibit No. 1 is hereby approved and the County Judge/Executive is hereby authorized and directed to execute and deliver said Memorandum of Agreement, and the Fiscal Court Clerk is hereby authorized and directed to attest same.

Section 4 Because the Project will be undertaken, constructed and acquired for the purpose of conforming to the requirements of the Company, and inasmuch as the Company requires for its operations the construction and acquisition of Project facilities which it is particularly and peculiarly equipped to plan and acquire and the Company possesses more expertise in such matters, it is hereby found, determined and declared that construction and acquisition of the Project should be undertaken or

caused to be undertaken by the Company. Accordingly, the Company is hereby authorized to formulate and develop plans for the construction and acquisition of the Project, in whole or in part, and to enter into such contracts and undertakings as may be required for the construction and acquisition of the Project, in whole or in part. Reimbursements made to the Company after the receipt of the proceeds of the sale of each series of Bonds by the County shall be subject to approval or certification by a qualified person to be designated by the Company as specified in the loan or other financing agreement to be entered into by the County and the Company at the appropriate time pursuant to the Act.

Section 5. No County funds shall be expended on the Project, except such as are derived from Bond proceeds.

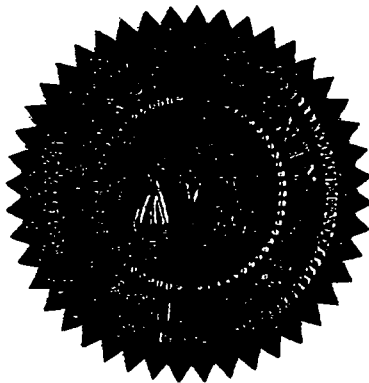
Section 6. In adopting this Resolution, it is intended by the Fiscal Court of the County that this Resolution constitute the declaration of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the Issuer within the meaning of Federal Income Tax Regulations Section 1.150-2.

Section 7. To the extent any resolution, ordinance or part thereof is in conflict herewith, the provisions of this Resolution shall prevail and be given effect.

Section 8. This Resolution shall be in full force and effect from and after its adoption as provided by law.

INTRODUCED, SECONDED READ AND ADOPTED AT A DULY CONVENED MEETING OF THE FISCAL COURT OF THE COUNTY OF CARROLL, KENTUCKY, held on the 22nd day of February, 2005, on the same occasion signed in open session by the County Judge/Executive as evidence of his approval, attested under seal by the Clerk of the Fiscal Court, ordered to be filed and recorded as required by law, and declared to be in full force and effect according to law.

(SEAL)




HAROLD TOMLINSON
County Judge/Executive

ATTEST:

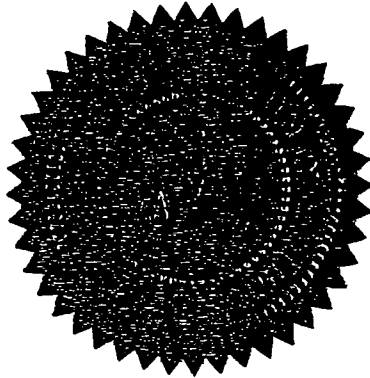

Nicki Beckham
Fiscal Court Clerk

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Clerk of the Fiscal Court of the County of Carroll, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the Fiscal Court of said County at a duly convened meeting held on February 22, 2005, on the same occasion signed by the County Judge/Executive, duly filed, recorded and indexed in my office (pursuant to KRS 67.120(2)) and now in force and effect, and that all action taken in connection with such Resolution was in compliance with the requirements of KRS 61.810 through 61.825, all as appears from the official records of said Fiscal Court in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said County this 22nd day of February, 2005.

(SEAL)



Nicki Beckham
Fiscal Court Clerk

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT, made and entered into this 22nd day of February, 2005, by and between the COUNTY OF CARROLL, KENTUCKY (the "County"), a de jure county and political subdivision of the Commonwealth of Kentucky and KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation (the "Company").

1. Recitals.

(a) The Company is a public utility pursuant to Chapter 278 of the Kentucky Revised Statutes, and is engaged in the business of generating electricity and providing electric service to the public at large. The Company owns and operates major electrical generating facilities in Carroll County, Kentucky, including the Ghent Generating Station, which facilities involve the combustion of coal, oil and natural gas. The Company's generating operations produce sulphur dioxide emissions and other atmospheric pollutants and contaminants, which the Company must abate, control, contain, neutralize and reduce in order that the Company may comply with applicable current Federal and State laws and regulations and continue to pursue its business as a public utility providing electrical service to the general public. In compliance with the law, the Company has previously constructed and acquired and must now construct and acquire additional major sulphur dioxide removal facilities with respect to generating units 2, 3 and 4 of the Ghent Generating Station to control sulphur dioxide emissions and for the collection, recycling, treatment and ultimate disposition of solid wastes. The operation of the Company's sulphur dioxide removal facilities and precipitators, which benefit the public, and other plant operations, produce substantial quantities of solid wastes, which the Company must collect, store, treat, process, recycle and dispose of, in order that the Company may continue to pursue its business as a regulated public utility and continue to provide service to the public.

(b) In order to efficiently treat, recycle and dispose of such solid wastes, the Company, based upon extensive study and analysis, has formulated a plan for the design, construction, reconstruction, treatment, processing, recycling and final disposition of solid wastes, as described, including forced air oxidation and recycling of solid wastes. (collectively, the "Project").

(c) The Company has proceeded and is proceeding to develop final plans and designs for the acquisition, construction and installation of the solid waste disposal and recycling facilities constituting the Project, including inter alia, such necessary new sulphur dioxide removal facilities and any necessary reconstruction and modification of the existing solid waste disposal facilities serving the Ghent Generating Station. The Company estimates that acquisition, construction and installation of the Project will require the expenditure of Company moneys and funds aggregating approximately \$30,000,000. The Project is described in general terms in Exhibit No. 1 appended hereto and incorporated herein.

(d) As the Company is a public utility, depending upon the imposition and collection of electric user rates and charges for revenues adequate to operate its facilities, amortize its debts, and provide a reasonable return on capital, and as such electric user rates and charges are collected from all users of such services, it is in the best interests of the general public who bear the burden of such electric user rates and charges that the interest costs to the Company in respect of borrowing funds necessary for construction and acquisition of the Project be fixed at the lowest possible level. It has been determined that the financing of the Project in whole or in part by the issuance of solid waste disposal revenue bonds by the County pursuant to KRS Sections 103.200 to 103.285, inclusive, will result in reduction in the interest costs attending the borrowing of money for construction and acquisition of the Project, with resulting public benefits. Therefore, the Company has requested that the County issue its environmental bonds pursuant to KRS Sections 103.200 to 103.285, inclusive (the "Bonds") to provide funds to construct and acquire the Project, as herein described, or any portion or portions thereof, and the County has agreed to issue the Bonds for the financing of the Project or any portion or portions thereof. The Bonds may be issued, as requested by the Company, for the entire Project or any portion or portions thereof.

(e) The Company covenants and represents that upon the occasion of each issuance of Bonds pursuant hereto, the issuance of such Bonds will be legal and proper under the statutory laws of Kentucky and the Internal Revenue Code of 1986, as amended, or any successor Code.

(f) The County is authorized by KRS 103.200 to 103.285, inclusive (the "Act"), to issue the Bonds and use the proceeds thereof to finance the costs of construction and acquisition of the Project. The Fiscal Court of the County has found and determined that the Project will accomplish the public purposes of the Act. The County considers that causing the construction and acquisition of the Project for the Company will promote the abatement, control, containment, neutralization, recycling, reduction and disposal of solid wastes within the County, will improve and enhance the environment and benefit the general public, will lower the Company's ultimate costs in respect of the Project, will in turn consequently reduce the costs of the Project to the public, which must ultimately bear such costs in the form of electric user rates and charges, and will thereby promote the general welfare of the inhabitants of Carroll County, Kentucky.

(g) The County proposes to issue the Bonds in one or more series to finance the cost of the Project and desires to authorize the Company to proceed with the Project and be reimbursed out of the proceeds of the Bonds for any costs of the Project incurred prior to the issuance of the Bonds.

(h) The County proposes to enter into, as lender, a loan agreement or other financing agreement (the "Agreement") with the Company, as borrower, relating to the Project and the Bonds, whereby the Company will agree to make payments sufficient to provide for the payment of the principal of and premium, if any, and interest on the Bonds and all other costs of the County incurred in connection with the Bonds and the Project.

2. Representations and Undertakings of the Company. The Company represents, undertakes, covenants and agrees as follows:

(a) The Company intends to use the Project or cause it to be used at all times during the term of the Agreement or the sooner termination of the Agreement for the public purposes hereinbefore indicated and recited;

(b) The Company will cause contracts to be entered into for, or will otherwise provide for, the construction and acquisition of the Project;

(c) Prior to or contemporaneously with the delivery of any series of Bonds, the Company will enter into the Agreement with the County under the terms of which the Company will obligate itself to undertake and complete the construction and acquisition of the Project and to pay to the County amounts sufficient in the aggregate to pay the principal of, interest on, and premium, if any, on the Bonds, as and when the Bonds shall become due and payable, such Agreement to contain such other provisions as shall be agreed upon by the County and the Company;

(d) The Company will protect and hold harmless the County, all members of the Fiscal Court of the County and all the County's officers, employees and agents from all expense and liability arising from or in connection with the Project and the Bonds; and

(e) The Company will take such further actions and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in connection therewith.

3. Undertakings of the County. Subject to the fulfillment of the several conditions herein stated, the County agrees as follows:

(a) It will from time to time authorize or cause to be authorized the issuance and sale of one or more series of Bonds pursuant to the terms of the Act as then in force in an aggregate principal amount approximating \$30,000,000;

(b) It will adopt or cause to be adopted such proceedings and authorize the execution of such documents as may be necessary or acceptable to effect (i) the authorization, issuance and sale of the Bonds upon a negotiated basis to an entity or entities to be designated by the Company, (ii) the construction and acquisition of the Project, and (iii) the Agreement relating to the Project and the Bonds, all as shall be authorized by law and upon terms which must be mutually satisfactory to the County and the Company;

(c) The aggregate payments stipulated under the Agreement shall be sufficient (in addition to the covenants of the Company to properly maintain and insure the Project) to pay the principal of, interest on and premium, if any, on all series of Bonds as and when the same become due and payable; and

(d) It will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings as it may deem appropriate.

4. General Provisions.

(a) All commitments of the County and the Company pursuant to this Memorandum of Agreement are subject to the condition that on or before three years from the date hereof (or such other later date as shall be mutually satisfactory to the County and the Company) the County and the Company shall have agreed to mutually acceptable terms and conditions with respect to the Agreement and all other documents required in connection with the initial series of Bonds.

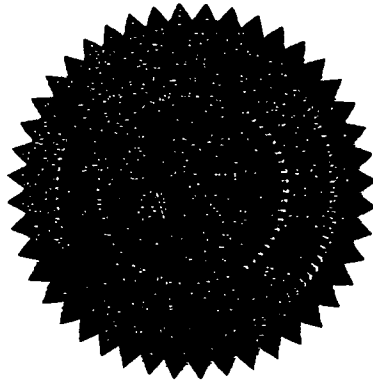
(b) If the events set forth in (a) of this paragraph do not take place within the time set forth, or any agreed extension thereof, and the initial series of Bonds are not issued within such time, all obligations of the County hereunder shall thereupon terminate upon written notice thereof by the County to the Company.

(c) This Memorandum of Agreement and the Resolution approving this Memorandum of Agreement constitute the present intent of the County to issue the aforementioned Bonds at a later date. In executing and delivering this Memorandum of Agreement, it is intended by the Company and the County the Issuer that this Memorandum of Agreement and the County's related Resolution constitute declarations of intent to reimburse expenditures made by the Company on the Project from the proceeds of the Bonds of the County within the meaning of Federal Income Tax Regulations Section 1.150-2.


(the remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement by their officers thereunto, in accordance with the laws of Kentucky and Section 1.150-2 of the Code and Treasury Regulations thereunder, being duly authorized on the day and year first above written.

(SEAL)



COUNTY OF CARROLL, KENTUCKY

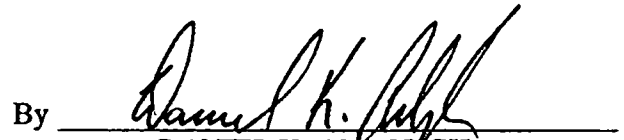
By 
HAROLD TOMLINSON
County Judge/Executive

ATTEST:


Nicki Beckham
Fiscal Court Clerk

KENTUCKY UTILITIES COMPANY

(SEAL)

By 
DANIEL K. ARBOUGH
Treasurer

MEMORANDUM OF AGREEMENT
BY AND BETWEEN
THE COUNTY OF CARROLL, KENTUCKY
AND
KENTUCKY UTILITIES COMPANY
GHENT GENERATING STATION

The Project includes components, systems and projects for the collection, storage, treatment, processing, recycling or final disposal of solid wastes. The Project facilities are located or will be located at one or both of the Company's Ghent Generating Station in Carroll County, Kentucky and may include, but are not limited to:

1. Facilities for the processing and recycling of waste calcium sulfite byproducts from flue gas desulfurization into calcium sulfate for use as gypsum. The Project facilities include complete new flue gas desulphurization facilities to serve generating stations 2, 3 and 4, including, among other things, the necessary SO₂ absorber reaction tanks, recirculation facilities, oxidation air compressors and blowers, foundations and structures, air compressors and air handling equipment, dewatering system improvements, conveyors and related facilities, related mechanical and electrical auxiliaries, tanks, associated site improvements and related structures.
2. Solid waste facilities additions and improvements for the collection and processing of fly ash, bottom ash, landfill expansion and other industrial solid waste collection, processing and disposal facilities.
3. Project facilities which are functionally related and subordinate to proposed new and existing solid waste and sewage facilities.
4. Such additional or substituted facilities and appurtenances, furnishings, equipment and machinery deemed necessary thereto, for the disposal of solid waste or related sewage, which because of changes in technology, cost, solid waste and sewage plant processes, regulatory requirements and the like, are added to or substituted for the Project facilities described herein.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT

March 31, 2005

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.

5,300,000 shares of Cumulative Preferred Stock, without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding.

Preferred Stock

\$100 stated value, 4-3/4% cumulative, 200,000 shares issued and outstanding.

\$100 stated value, 6.53% cumulative, 200,000 shares issued and outstanding.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

Preferred Stock outstanding has cumulative provision on dividends.

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

Mortgage indenture dated May 1, 1947, executed by and between the Company and U.S. Bank National Association (the "Trustee") and Richard Prokosch, as trustees and amended by the several indentures supplemental thereto. As of March 31, 2005, the amount of indebtedness secured thereby was \$385,030,000. The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder.

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year.

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at March 31, 2005, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company:

| Series | Date of Issue | Date of Maturity | Rate of Interest | Principal Amount | | Interest Expense Year Ended March 31, 2005 |
|-------------------------------|---------------|------------------|------------------|------------------|----------------------------------|--|
| | | | | Authorized | Outstanding at March 31, 2005 | |
| P | 05/15/92 | 05/15/07 | 7.92% | \$ 53,000,000 | \$ 53,000,000 | \$ 4,197,600 |
| R | 06/01/95 | 06/01/25 | 7.55% | 50,000,000 | 50,000,000 | 3,775,000 |
| S | 01/15/96 | 01/15/06 | 5.99% | 36,000,000 | 36,000,000 | 2,156,400 |
| Pollution Control Bonds | | | | | | |
| 9 | 12/01/93 | 12/01/23 | 5.75% | 50,000,000 | | 1,852,778 |
| 10 | 11/01/94 | 11/01/24 | Variable | 54,000,000 | 54,000,000 | 831,262 |
| 11 | 05/01/00 | 05/01/23 | Variable | 12,900,000 | 12,900,000 | 192,391 |
| 12 | 02/01/02 | 02/01/32 | Variable | 20,930,000 | 20,930,000 | 328,637 |
| 13 | 02/01/02 | 02/01/32 | Variable | 2,400,000 | 2,400,000 | 37,684 |
| 14 | 02/01/02 | 02/01/32 | Variable | 7,200,000 | 2,400,000 | 48,237 |
| 15 | 02/01/02 | 02/01/32 | Variable | 7,400,000 | 7,400,000 | 116,193 |
| 16 | 07/01/02 | 10/01/32 | Variable | 96,000,000 | 96,000,000 | 1,504,560 |
| 17 | 10/01/04 | 10/01/34 | Variable | 50,000,000 | 50,000,000 | 406,021 |
| | | | | | 385,030,000 | 15,446,763 |
| Interest rate swap | | | | | | (5,094,665) |
| Long term debt mark to market | | | | | 6,953,134 | (545,673) |
| Total | | | | | <u>\$ 391,983,134</u> | <u>\$ 9,806,425</u> |

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest during the last 12-month period.

| <u>Payee</u> | <u>Date of Issue</u> | <u>Amount</u> | <u>Rate of Interest</u> | <u>Date of Maturity</u> | <u>Interest Expense Year Ended March 31, 2005</u> |
|-----------------|----------------------|---------------|-------------------------|-------------------------|---|
| LG&E Energy LLC | 12/31/00 | \$ 25,975,000 | Various | Various | \$ 367,028 |
| Fidelia Corp. | 04/30/03 | 100,000,000 | 4.55% | 04/30/13 | 4,550,000 |
| Fidelia Corp. | 08/15/03 | 75,000,000 | 5.31% | 08/15/13 | 3,982,500 |
| Fidelia Corp. | 11/24/03 | 33,000,000 | 4.24% | 11/24/10 | 1,399,200 |
| Fidelia Corp. | 12/18/03 | 75,000,000 | 2.29% | 12/19/05 | 1,717,500 |
| Fidelia Corp. | 01/15/04 | 50,000,000 | 4.39% | 01/16/12 | 2,195,000 |

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value

| | |
|------|------------|
| 2000 | 94,500,000 |
| 2001 | 30,500,000 |
| 2002 | - |
| 2003 | - |
| 2004 | 63,000,000 |

- (1) As of May 1998, the 37,817,878 shares are all owned by LG&E Energy LLC and all dividends declared by KU's Board of Directors are paid to LG&E Energy LLC.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, \$100 stated value, for a total of \$ 237,500 per quarter. On an annual basis the dividend amounted to \$4.75 per share, or \$950,000.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, \$100 stated value, for a total of \$326,500 per quarter. On an annual basis the dividend amounted to \$6.53 per share, or \$1,306,000.

(9) Detailed Income Statement and Balance Sheet

Our most recent mailing covered financial statements for periods through March 31, 2005. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending March 31, 2005.

KENTUCKY UTILITIES COMPANY

The 2004 Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (combined form 10-K, separately filed by Louisville Gas and Electric Company and Kentucky Utilities Company) contains Statements of Income, Balance Sheets, Statements of Retained Earnings, Statements of Cash Flows, Statements of Capitalization, Statements of Other Comprehensive Income, Management's Discussions and Analysis of Financial Condition and Results of Operation, and Notes to Financial Statements, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"). The Annual Report, of KU has been previously filed with the Authority.

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending March 31, 2005.

KENTUCKY UTILITIES COMPANY
BALANCE SHEET AS OF MARCH 31, 2005

| ASSETS AND OTHER DEBITS | | THIS YEAR | LIABILITIES AND OTHER CREDITS | | THIS YEAR |
|---|--|------------------|--|--|------------------|
| Utility Plant | | | Capitalization | | |
| Utility Plant at Original Cost | | 3,730,648,489 93 | Common Stock | | 308,139,977 56 |
| Less Reserves for Depreciation & Amortization | | 1,709,675,385 89 | Common Stock Expense | | (321,288 87) |
| Total | | 2,020,973,104 04 | Paid-In Capital | | 15,000,000 00 |
| Investments - At Cost | | | Other Comprehensive Income | | - |
| Nonutility Property-Less Reserve | | 896,064 54 | Retained Earnings | | 653,725,438 57 |
| Investments in KU-R | | 13,938,552 00 | Unappropriated Undistributed Subsidiary Earnings | | 12,642,752 00 |
| Investments in Subsidiary Companies | | - | Total Common Equity | | 989,186,879 26 |
| Ohio Valley Electric Corporation | | 250,000 00 | Preferred Stock | | 39,726,894 58 |
| Other | | 493,354 99 | First Mortgage Bonds | | 349,030,000 00 |
| Special Funds | | 5,558,438 38 | Other Long-Term Debt | | - |
| Total | | 21,136,409 91 | LT Notes Payable to Associated Companies | | 258,000,000 00 |
| Current and Accrued Assets | | | Long-Term Debt Marked to Market | | 6,953,134 00 |
| Cash | | 2,279,149 79 | Total Long-Term Debt | | 613,983,134 00 |
| Special Deposits | | 143,545 66 | Total Capitalization | | 1,642,896,907 84 |
| Accounts Receivable-Less Reserve | | 105,114,838 31 | Current and Accrued Liabilities | | |
| Notes Receivable from Assoc. Companies | | - | Advances from Associated Companies | | - |
| Notes Receivable from KU-R | | - | Long-Term Debt Due in 1 Year | | 111,000,000 00 |
| Accounts Receivable from Assoc. Companies | | 15,725,187 28 | Notes Payable | | - |
| Materials & Supplies-At Average Cost | | - | Notes Payable to Associated Companies | | 25,975,000 00 |
| Fuel | | 49,847,461 26 | Accounts Payable | | 50,275,946 96 |
| Plant Materials & Operating Supplies | | 22,900,898 03 | Accounts Payable to Associated Companies | | 21,030,334 90 |
| Stores Expense | | 5,543,948 53 | Customer Deposits | | 15,721,704 50 |
| Allowance Inventory | | 3,128,929 61 | Taxes Accrued | | 37,233,805 01 |
| Prepayments | | 5,008,077 26 | Interest Accrued | | 6,083,077 95 |
| Miscellaneous Current & Accrued Assets | | 1,224,043 84 | Dividends Declared | | 188,000 00 |
| Total | | 210,916,079 57 | Misc. Current & Accrued Liabilities | | 11,083,332 55 |
| Deferred Debits and Other | | | Total | | 278,591,201 87 |
| Unamortized Debt Expense | | 4,684,882 82 | Deferred Credits and Other | | |
| Unamortized Loss on Bonds | | 11,249,350 67 | Accumulated Deferred Income Taxes | | 320,480,583 21 |
| Accumulated Deferred Income Taxes | | 44,132,197 53 | Investment Tax Credit | | 3,380,200 32 |
| Deferred Regulatory Assets | | 56,701,680 04 | Regulatory Liabilities | | 39,367,362 37 |
| Other Deferred Debits | | 35,360,156 93 | Customer Advances for Construction | | 1,585,007 35 |
| Total | | 152,128,267 99 | Asset Retirement Obligations | | 21,201,546 36 |
| Total Assets and Other Debits | | 2,405,153,861 51 | Other Deferred Credits | | 11,784,858 46 |
| | | | Misc Long-Term Liabilities | | 17,686,275 35 |
| | | | Accum Provision for Post-Retirement Benefits | | 68,179,918 38 |
| | | | Total | | 483,665,751 80 |
| | | | Total Liabilities and Other Credits | | 2,405,153,861 51 |

KENTUCKY UTILITIES COMPANY
COMPARATIVE STATEMENT OF INCOME
MARCH 31, 2005

| | YEAR TO DATE |
|--|---------------------|
| | THIS YEAR AMOUNT |
| Electric Operating Revenues | 286,352,166 94 |
| Rate Refunds | - |
| Total Operating Revenues | 286,352,166 94 |
| Operating Expenses | |
| Fuel | 87,199,851 46 |
| Power Purchased | 46,290,279 42 |
| Other Operation Expenses | 38,303,745 33 |
| Maintenance | 17,118,361 30 |
| Depreciation | 27,461,177 85 |
| Amortization Expense | 1,134,835 24 |
| Regulatory Credits | (403,661 50) |
| Taxes | |
| Federal Income | 20,882,577 30 |
| State Income | 4,388,586 44 |
| Deferred Federal Income - Net | (2,094,051 42) |
| Deferred State Income - Net | (140,176 72) |
| Federal Income - Estimated | - |
| State Income - Estimated | - |
| Property and Other | 4,380,337 00 |
| Loss (Gain) from Disposition of Allowances | (1,110,364 00) |
| Accretion Expense | 347,037 00 |
| Total Operating Expenses | 243,758,534 70 |
| Net Operating Income | 42,593,632 24 |
| Other Income Less Deductions | |
| Other Income Less Deductions | 1,408,684 88 |
| AFUDC - Equity | 6,425 63 |
| Total Other Income Less Deductions | 1,415,110 51 |
| Income Before Interest Charges | 44,008,742 75 |
| Interest on Long Term Debt | 5,395,308 87 |
| Amortization of Debt Expense - Net | 259,627 39 |
| Other Interest Expenses | 808,451 73 |
| AFUDC - Borrowed Funds | (1,376 25) |
| Total Interest Charges | 6,462,011 74 |
| Net Inc Before Cumulative Effect of Acctg Chg | 37,546,731 01 |
| Cumulative Effect of Accounting Chg Net of Tax | - |
| Net Income | 37,546,731 01 |
| Preferred Dividend Requirements | 564,001 54 |
| Earnings Available for Common | 36,982,729 47 |

KENTUCKY UTILITIES COMPANY
ANALYSIS OF RETAINED EARNINGS

MARCH 31, 2005

| | <u>Year Ended Current Month</u> |
|--|---------------------------------|
| | <u>Total</u> |
| Retained Earnings and Undistributed Earnings | Retained Earnings |
| Balance Beginning of Period..... | 612,931,703.82 |
| Net Income To Date..... | 138,564,514.57 |
| Other..... | 9,597.45 |
| Adjust for Equity in Subsidiary Earnings for Year | |
| -EE Inc..... | (2,524,371.00) |
| Dividends Rec'd Current Year | |
| -EE Inc..... | - |
| Preferred Stock Dividends..... | (2,256,006.27) |
| Common Stock Dividends..... | (93,000,000.00) |
| Balance End of Period..... | <u><u>653,725,438.57</u></u> |


KENTUCKY UTILITIES COMPANY

The Applicant's Indenture of Mortgage or Deed of Trust dated May 1, 1947, as heretofore amended, securing Applicant's outstanding First Mortgage Bonds has heretofore been filed with the Commission. The most recent Supplemental Indenture, dated October 1, 2004, is on file with the Authority in Docket No. 04-00279 (In Re: Petition of Kentucky Utilities Company for an Order Authorizing the Issue of Securities and Assumption of Obligations).

SECRETARY'S CERTIFICATE

I, John R. McCall, do hereby certify that I am the duly qualified and acting Secretary of Kentucky Utilities Company (the "Company"), a Kentucky corporation, that as Secretary, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached resolutions were adopted by the Board of Directors of the Company by unanimous written consent in lieu of a meeting, dated December 16, 2004 and that the attached is a full, true and correct copy of said resolutions as they appear on the records of the Company and that the same has not been altered, amended or repealed.

IN WITNESS WHEREOF, I have signed and affixed the seal of the Company this 25th day of April, 2005.

A handwritten signature in black ink, appearing to read 'John R. McCall', is written over a horizontal line.

John R. McCall
Executive Vice President, General
Counsel and Secretary

**ACTION OF THE BOARD OF DIRECTORS
OF
KENTUCKY UTILITIES COMPANY
TAKEN BY WRITTEN CONSENT**

December 16, 2004

FLUE GAS DESULFURIZATION PROJECT- KU

WHEREAS, the Company has considered long-term environmental and fuel supply options, including the installation of approximately \$678.2 million in wet flue gas desulfurization equipment on Brown Units 1-3 and Ghent Units 2-4 at its E.W. Brown and Ghent generating stations, respectively, (the "KU FGD Project"); and

WHEREAS, the Company desires to receive approval for the KU FGD Project, including, but not limited to, approval to proceed with engineering, construction, finance and contracting arrangements; submission of governmental applications for certificates of convenience and necessity ("CCN"), cost and rate recovery treatment, environmental permits, siting approvals, etc.; easement and real property acquisition; and other actions; and

WHEREAS, the Board of Directors has considered matters relating to the KU FGD Project and deems it advisable and in the best interests of the Company to approve such transactions.

NOW, THEREFORE, BE IT RESOLVED, that the KU FGD Project is hereby approved and the Company is hereby authorized to proceed with such transactions, as set forth below; and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized and directed to negotiate, execute and deliver, from time to time, for and on behalf of the Company such agreements, documents or instruments, including appropriate filings with regulatory agencies, that may be necessary or appropriate in connection with the KU FGD Project, with such officer's execution and delivery to conclusively evidence such officer's approval thereof and the approval of this Board of Directors; and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized to determine the form and content of documentation, filings or actions relating to the KU FGD Project; and

FURTHER RESOLVED, that the appropriate officers of the Company are, and each of them hereby is, authorized and directed, to take such other actions as they shall, in their discretion, deem necessary, appropriate or advisable in connection with the KU FGD Project, including such changes as may be deemed necessary, appropriate or advisable in the discretion of such officers; and

FURTHER RESOLVED, that all actions heretofore or hereafter taken by any officer of the Company in connection with the KU FGD Project as contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

PETITION OF KENTUCKY UTILITIES FOR
AN ORDER AUTHORIZING THE ISSUANCE
OF SECURITIES AND THE ASSUMPTION OF
OBLIGATIONS

DOCKET NO.
05-

PROPOSED ORDER

This matter came before Director _____, Director
_____ and Director _____ of the Tennessee Regulatory
Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at
the regularly scheduled Authority Conference held on _____, 2005 for
consideration of the Petition of Kentucky Utilities ("KU") for an order, pursuant to
Tenn. Code Ann. § 65-4-109, authorizing the issuance of securities and the
assumption of obligations.

Statutory Framework

Tenn. Code Ann. § 65-4-109 provides:

No public utility shall issue any stocks, stock
certificates, bonds, debentures, or other evidences of
indebtedness payable in more than one (1) year
from the date thereof, until it shall have first
obtained authority from the [TRA] for such
proposed issue. It shall be the duty of the [TRA]
after hearing to approve any such proposed issue,
sale and delivery is to be made in accordance with

law and the purpose of such be approved by the [TRA].

Petition

KU is an electric utility primarily serving customers in Kentucky, with only five customers in the state of Tennessee. In its *Petition*, filed with the TRA on _____, 2005, KU requested authority to issue its First Mortgage Bonds in an aggregate principal amount not to exceed \$13,266,950 and to assume certain obligations in connection therewith, represented by one or more loan agreements with Carroll County, Kentucky in connection with the simultaneous issuance by Carroll County of its Pollution Control Bonds in an aggregate principal amount not to exceed \$13,266,950, the proceeds of which will be loaned to KU. KU will use the proceeds of such Carroll County Pollution Control Bonds to provide permanent financing for portions of pollution control facilities at KU's Ghent Generating Station in Carroll County. The proposed First Mortgage Bonds of KU will be used to secure and collateralize the Carroll County Pollution Control Bonds. KU has also requested authority to execute and deliver, as required, and to perform its obligations under, loan agreements with Carroll County, and any remarketing agreements, and notes as are set forth in the *Petition* and to perform the transactions contemplated by those agreements. This transaction will allow a portion of the cost of KU's pollution control project to be financed on a tax-exempt basis, resulting in lower costs.

_____, 2005 Authority Conference

At the _____, 2005 Authority Conference, the Directors voted anonymously to approve the Petition upon a finding that the proposed transaction will be made for proper purpose and in accordance with Tennessee laws.

IT IS THEREFORE ORDERED THAT:

1. KU is authorized to issue and deliver its First Mortgage Bonds in one or more series in an aggregate principal amount not to exceed \$13,266,950 in the manner set forth in its Petition.
2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the loan agreement(s) with Carroll County, and under any remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, guaranty agreements, credit agreements and facilities, and such other agreements and documents as set out in its Petition, and to perform the transactions contemplated by all such agreements.
3. The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of KU securities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transactions approved herein.

Director

Director

Director